3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of convalescence.

Highly skilled workers are one of Austria's chief economic assets, and between the Wars consumer-goods and luxury industries played an important part in her economic life. This side of her economy declined seriously during the German occupation. As part of the deliberate plan to turn the country into an arsenal, workers were diverted from secondary industries and agriculture to the large new war-production centres that were established.

The great Hermann Goering Iron and Steel Works were set up at Linz, with their own coking plant. Sixty miles away at Ranshofen near the River Inn a big aluminium plant was built. There were several reasons for these developments. The fundamental idea was to provide a reserve of vital war industries in a district less vulnerable to enemy attack. Just as the Russians transferred some of their main war industries to Central Asia, so Hitler wanted to have some of his production centres farther away from Allied bomber bases. Secondly, there were certain economic considerations in favour of the two sites. Both were on important waterways. Linz was some sixty miles from the iron ore of the Erzberg, or Iron Mountain, in Styria and not far away from the low-grade ore of Bavaria. Ranshofen was reasonably close to the Hungarian bauxite deposits and conveniently situated in relation to the Third Reich's electricity network, cheap current being the main consideration in the siting of an aluminium works. Further, there were reasons of sentiment and prestige for the choice of location. Hitler was born in Braunau, a few miles from Ranshofen, and went to school in Linz. It seemed fitting that the scenes of the Führer's youth should become centres of war production.

From the purely Austrian point of view, however, such developments were not so satisfactory. Hardly one of the considerations that influenced German leaders would have carried weight with an independent Austria. The strategic and sentimental arguments were both irrelevant. Neither Bavaria nor

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433 If the different branches of the Austrian economy are
241 considered separately, the record of agriculture is the most disappointing, although the rise in population and food prices since before the War made it vitally important that agricultural production should at least regain its pre-War level.

The disappearance of the black market and the progressive adjustment of internal food prices since the end of the War had improved the situation from one point of view. The conservatism of the farmers and the prevalence of small holdings in Austrian agriculture were features that could scarcely be altered. But there were several aspects of the problem that were susceptible to treatment and in which more could have been done both by the Government and by the ERP authorities.

●[464] The number of paid agricultural employees, not counting the farmers themselves and members of their families, dropped by nearly a quarter, from 285,600 in 1937 to 217,000 in 1951. In view of the man-power available, more speedy and energetic steps should have been taken by the Government to counteract this tendency. The plan that has been drawn up to deal with it will be considered later. The loss of labour was balanced to some extent by mechanization, carried out largely with Marshall Aid. The number of tractors increased by 850 per cent between 1939 and the end of 1951. But the supply of artificial fertilizer and feeding-stuffs from abroad fell far short of essential needs, and agriculture's share of counterpart funds was less than the allocation to the primary iron and steel industry, which did not employ a tenth of the number of men on the land. It was not until the summer of 1952 that increased imports of feeding-stuffs and an adjustment of prices by the Government made it possible to fix the cost of bread-grains at 25 per cent above that of maize for feeding, and so stimulate farmers to increase their bread-grain production.

433 Austrian forestry and its dependent industries responded well to ERP assistance. During the first three years of Marshall Aid lumber exports increased fivefold, and in 1951 they amounted to 17 per cent of Austria's total exports. By 1951 paper industry production had risen to 113 per cent, and cellulose

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The decline in exports was accompanied by a fall in the production of almost all consumer-goods industries during the first half of 1952. This in turn was accompanied by a rise in the number of unemployed.

During the early post-War years there was virtually no unemployment in Austria. During the winter of 1949–50 unemployment first became a real problem, when the number of unemployed in February 1950 rose to 195,000, or nearly 10 per cent of the insured labour force in the country. This figure taken alone, however, is misleading. A high proportion of the total was due to seasonal unemployment in the building trade, in which owing to post-War reconstruction needs nearly four times as many were employed as before the War. An increasing number of women also had been registering at employment exchanges in the hope of supplementing the family income in difficult times. At the same time the total number of insured persons employed in the winter of 1951–2 exceeded 2 million, and this represented an increase of nearly 50 per cent on the pre-War level.[1] The serious development in 1952 was that the high February total of 215,000 unemployed did not yield normally to seasonal improvement, and that throughout the summer there were never less than 115,000 unemployed.

The original European Recovery Programme was intended to come to an end in 1952. It was a great disappointment, after four years of planned aid on such a generous scale and after so large a measure of success, that these disquieting tendencies should have begun to reveal themselves in the Austrian economy. It was equally disappointing to the Austrians that in 1952 they had not regained the independence that the Moscow Declaration had given them every reason to expect. Had they had control over the industries administered by the Soviet authorities and over even a part of their oil, the economic position of the country would have been very different.

[1] The increase was due partly to the growth of population, partly to the increase in the proportion of people seeking paid employment, and partly to the decrease in the number of independent, uninsured workers.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

had achieved considerable success. The currency had been stabilized. Between December 1951 and December 1952 wholesale prices had dropped 6·4 per cent and the cost of living 1 per cent. With unimportant exceptions wages had remained constant. Total savings during 1952 amounted to over a billion schillings, compared to the 77 million in 1951. Although the gross national product only just kept up to the level for the previous year, the foreign trade position improved substantially. Figures available in February 1953 showed a drop in the balance-of-trade deficit from 4·3 billion schillings in 1951 to 3·1 billion in 1952, while the balance-of-payments deficit fell from $176 million to $100 million.

The Ministers of Trade and Finance deserved great credit for this achievement. But it must be remembered that they were members of a coalition government and that the policy of stabilization had begun before their appointment. Furthermore, the policy depended for its success on the voluntary action of both industrialists and trade unions in keeping down prices and wages.

During the election campaign a large measure of agreement on economic and financial policy was revealed between the Socialists and the People's Party, but the gap between the two points of view, which had made elections necessary, could not be closed entirely. The serious deterioration in the employment situation accentuated the differences on this vital issue. At the end of 1952 there were nearly 100,000 more unemployed than there had been in December 1951, and throughout 1952 the average number of unemployed had been 158,000, compared with 117,000 the previous year.

The deadlock that followed the elections and delayed the formation of a new Government for more than five weeks was proof of the stubbornness of the differences. The replacement of Figl by the industrialist Raab made it clear that a long-term compromise could not be expected: the Coalition survived, but for external, not for internal reasons. It was, nevertheless, encouraging that Austria's two main political parties should have

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3,013 married quarters. During the summer of 1952 further legislation was under consideration dealing with accommodation and technical training for agricultural workers.

The Ministry[1] also worked on a number of schemes in conjunction with the provinces and the Ministry of Social Welfare for helping displaced persons to settle on farms, inducing unemployed to work on the land, and persuading town-bred youths to give agriculture a trial.

As a result of all these efforts the flight from the land has been checked, though not stopped. Between November 1951 and November 1952 the number employed in agriculture and forestry fell by 6,500 compared with 9,400 the previous year. The fact that during the winter of 1952–3 there was a certain amount of unemployment on the land, due largely to increased mechanization, does not mean that the problem has ceased to be serious. Until agricultural production has at least regained the pre-War level, any further reduction in the number employed must remain a cause of great concern. It is a national problem which, like the drive to increase productivity, requires co-ordinated effort and a programme of public education for its solution.

A less obvious but no less dangerous trend in Austrian society since the War has been the progressive deterioration of the economic position of certain sections of the community, limited in number, but of value and importance to the nation out of all proportion to their numerical strength. The categories in question are university professors, school teachers, the administrative ranks of the civil service, and certain highly qualified groups in industry and the professions. They differ widely from one another, but there are certain common causes of their depressed condition.

The different categories belong, on the whole, to the so-called middle class, with its tradition of thrift and careful conservation of possessions and its deep-seated reluctance to take part in any organized public complaint about its condition. Such private property as they or their families possessed, including personal articles of value, had very largely disappeared

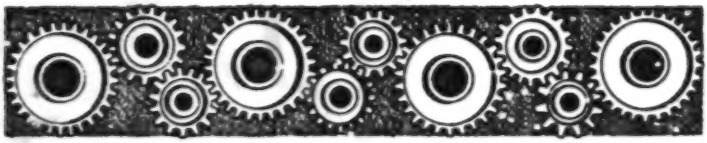
[1] i.e. the ministry of Agriculture and Forestry - Analyst

former minister Dr. Georg Zimmermann, and the manager of the Statistisches Institut der Universität Wien (Statistical Institute of the University of Vienna), Professor Dr. Wilhelm Winkler. The latter is the author of a number of treatises about principles of methods and economic statistics. In this field of endeavor he is being supported by F. Klezl-Norberg, vice-president of the Statistical Central Office. These two theorists share, from a national economic point of view, the ideas of the Austrian School, whereby the first named inclines more or less towards mathematics and economics. 647 816

The Ständige interministerielle Referentenkomitee zur Bekämpfung der Arbeitslosigkeit und Sicherung der Vollbeschäftigung (Permanent Inter-ministerial Committee of Department Heads to combat Unemployment and to secure Full-time Employment) also cooperates with the Institute of Economic Research. This committee concerns itself not solely with the task of enforcing immediately adequate measures, but also directs attention towards weak points in the economy which eventually could influence the intensity of work; it further prepares long-term economic measures which should be enacted. [464] [654]

The Mitteilungen (Reports) of the Oesterreichisches Kuratorium für Wirtschaftlichkeit (Austrian Board of Trustees for Economy), a board sponsored by the Bundeskammer der gewerblichen Wirtschaft, are especially concerned with rationalization problems (Manager: Consul Schmidhuber). Science of business economics is a discipline particularly taught at the Hochschule für Welthandel, Vienna, which has quite a number of experts on its lecturing staff (W. Bouffier, F. Dörfel, K. Oberparleiter). This branch of science became, via the balance theory, more and more related to theoretical economics. In this way--and this applies to the entire field of commercial science--the selection of themes, the setting of problems and the methods of presentation show the influence of the Austrian School. The science of business economics has contributed to better and more standarized forms of accounting, improvements in bookkeeping and cost accounting. Scientific handling of advertising and market research has substantially improved plant management. 874 457 816

Austria has become intensely interested lately in methods of work psychology, which have proven successful in the United States, England and other western nations. In this connection may be mentioned the 461 466 816



Banking in Austria is carried on chiefly by joint stock banks, some of which have an extensive branch business. A few of the smaller concerns are situated in the provinces. Apart from these there are a number of highly respected banking houses and nine provincial mortgage banks. Two special characteristics of the first named are their ability to give individual attention to clients and their valuable foreign connections. The provincial mortgage banks are public bodies which have the principal duty, apart from other banking transactions, of attending to mortgage and municipal credits, financing the loans they grant through the issuing of bonds of mortgage.

Despite the difficulties still to be encountered in the reconstruction of Austria and its economy, the Austrian banks will continue to place their services at the disposal of the nation's commerce in accordance with their traditions, and to assist in securing for the Motherland a brighter future after long years of impoverishment and peril.

THE AUSTRIAN INSURANCE SYSTEM.

Insurance, with its estimation of risk and liability, of success or collapse, forms a mirror of Austria's development from the First to the Second Republic.

Within the space of not quite thirty years—1918 to 1945—the Austrian insurance concerns were faced with

a food catastrophe would have been inevitable and the work of reconstruction have been indefinitely postponed.

From the outset, everything possible was done to help build up foreign trade again. At first, in view of transport difficulties, only trade with neighbouring countries came into consideration. The initial results were not great, since all these countries were busy with their own reconstruction and usually themselves needed the goods which Austria wanted. It was only gradually that by means of compensation agreements and later of clearing agreements, the trade relations which in 1938 had been broken off with Austria's most important suppliers and customers could be resumed.

In this way raw materials and auxiliary products as well as the means of production for industry were brought into the country, thus forming a basis for the recovery of industrial-commercial production. With the improvement of food conditions, the power situation and the increasing exploitation of available resources, output again began to rise.

In 1947 it was possible to reach 61 per cent of the industrial production of the year 1937; for the first time in 1948 output rose above 85 per cent of the former figure. Industrial employment figures for 1947 were 19 per cent and those of the year 1948 were about 30 per cent higher than those of 1937.

The most rapid strides in industrial production were first made in the branches more remote from

production was in a chaotic state and could not absorb the men who came back from the army and from the munition industries. Unemployment, which had been at a level of about 46,000 in December, 1918, rose quickly to a peak of 186,000 (131,500 in Vienna) in May, 1919, at the very time when the Western democracies enjoyed a short-lived post-war boom. After that, unemployment decreased steadily until it reached its lowest level in November, 1921, when there were 8,709 unemployed on the register.

THE INFLATION

The extent of Austria's economic exhaustion after the last war has been deliberately described at some length so as to indicate the level from which reconstruction had to start. No doubt, it was a tremendous job. But, with the relief credits to help out in the first period of distress, it was surely not beyond the strength of the Austrian people to build up a working economy. The tens of thousands of workers who struck work in January, 1918, in order to finish the war, the soldiers who returned disgusted with the war and the old régime, the peasants who had more than enough of the constant military requisitioning, all combined to turn out the Emperor, practically without any bloodshed; and they now looked confidently to the new Republic to lay the foundations for a new life.

There was much enthusiasm here that could have been harnessed to a great crusade for the rebuilding of the nation's life. But it was the tragedy of the situation that the statesmen of the day, those of the right and those of the left alike, completely lacked the required conception of leadership. Instead of stimulating the patriotic and social aspirations of the masses and guiding them in the difficult tasks of reconstruction, the general attitude of the leading politicians, reared in a 50-million empire, was to profess

1 [Cf. Cat. 116, p. 34 — ANALYST]

458 745 pensioners and others dependent on small fixed incomes. These people were reduced to abject poverty; they were compelled to sell most of their belongings and to turn to public assistance. These reductions in income occurred side by side with the creation of a small class of new rich—the inflation profiteers who had been able, through skilful buying and selling, to amass considerable wealth.

458 433 464 But there was also a brighter side to the picture. In the first stage of inflation, at least, the rising price level and the flow of new money stimulated industry and quickly raised production above the stagnating post-war level. The unemployed, whose number had greatly risen after the end of the war, were almost completely absorbed into work:

NUMBER OF UNEMPLOYED RECEIVING RELIEF

	1919	1920	1921	1922
February	162,104	69,427	16,217	33,554
May	186,030	45,883	9,518	44,281
August	133,362	23,970	11,702	30,967
November	—	14,733	8,709	55,008

458 433 Production increased in almost every field. Agriculture, for instance, largely regained its pre-war productivity in this period; and agricultural production was also increased by an extension of the area under cultivation.

YIELD PER HECTARE IN QUINTALS

	1913	1919	1923
Wheat	14·8	9·3	12·6
Rye	14·7	8·0	10·8
Barley	13·9	8·8	12·7
Oats	13·5	8·0	11·6
Maize	16·3	12·7	15·1

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER III

READJUSTMENT AND CONSOLIDATION

READJUSTMENT

458 IN spite of certain improvements Austria had failed, during the period of inflation, to adapt its economic structure to the new environment. In fact, the inflation tended to add to these underlying difficulties. The easy flow of money and the enormous speculation in prices and foreign exchanges, for instance, greatly increased the number of commercial establishments of all types. It was clear that these mushroom growths could not survive in the long run.

But these, and other necessary adjustments, were hampered by the absence of any clear economic policy which could have minimized the frictions involved. There were of course a large number of *ad hoc* measures to help here and to fill a gap there. But there was never a consistent and conscious approach to the problem as a whole. If, in spite of this, considerable progress was, in fact, achieved in the 'twenties, this can only be regarded as evidence of the vitality which Austrian economic life had preserved through all the difficult years.

458 The immediate result of the stabilization was indeed to cause a severe crisis. Industry had been geared to the 464 expectation of quickly rising prices, encouraging many speculative and unsound developments. These had now to be liquidated and a general process of economy and rationalization set in which caused a great increase in unemployment.

READJUSTMENT AND CONSOLIDATION

UNEMPLOYMENT[1]

(000's omitted)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1923	161	167	152	132	107	92	87	83	78	75	79	98
1924	119	125	106	82	68	63	66	74	77	89	113	154

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The situation was aggravated particularly by the shortage of capital for industry. An enormous speculative boom swept the stock exchange in 1923 and early in 1924. Industrial shares which had been neglected in the uncertain period of inflation were now eagerly taken up and funds were increasingly drawn into the financial sphere. Since private saving had fallen to negligible levels the rate of interest charged to industry was excessive. Interest rates on first-class overdrafts reached the absurdly high level of 22 per cent in 1924, and even in 1925 they still stood at 15½ per cent. The cost of credit was also raised by the monopolistic policy of the bank cartel which fixed the rates and left a margin of 7½ to 9½ per cent between rates paid and charged. As Austrian industry was largely owned and controlled by the banks, and also dependent on them for short-term credit, industrial interests were often subordinated to "orthodox" financial considerations.

454 455

Some relief was afforded by foreign loans. These were attracted by the high rates of interest and were usually obtainable on more favourable terms. The main drawback on this score was that—apart from loans to local authorities, public utilities and very big firms—it was only short-term credits which were offered, while what was needed at that time were long-term credits for industry. Indeed, once the monetary systems of the central and eastern European states were stabilized the *political* interest in their reconstruction ceased in the Western

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1 [CP CATEGORY 1/61, PAGE 50 -- ANALYST]

457 world, and the field was left open to private investors who failed to appreciate the long-term needs of that area.

433 But in spite of the heavy unemployment, production continued to increase; though there were some setbacks in the capital-goods industries which had benefited most from the inflation. The following figures may serve to illustrate the trends of this period (no general index of production is available for these years):

Production	Unit	1922	1923	1924
Coal, lignite	Thousand tons	3,136	2,659	2,777
Steel	" "	481	499	370
Paper	Waggons	15,108	15,285	17,211
Wheat	Thousand tons	202	242	231
Rye	" "	345	402	411
Potatoes	" "	1,398	1,426	1,647
Sugar	Quintals	244,680	472,555	750,102
Merchandise carried by railway	Thousand tons	—	5,493	6,174

The general rise in production was mainly due to the installation of modern plant during and after the inflation, to the resumption of more careful costing and accounting practices, and to a considerable rise in output per head. By 1925, total output reached about 80 per cent of the pre-war level.[2]

• 464 The overall figures of unemployment conceal, however, the very uneven incidence of unemployment in the various industries: a consequence of the structural changes then taking place. In February, 1925, when unemployment had reached the high level of 193,000, the percentage of unemployed was fairly low in the quickly expanding light and consumer goods industries—8 per cent in the food processing trades, 4 per cent in the paper industry, 6 per

1 [CR. CATEGORY 116, P. 50 -- ANALYST]

cent in textiles, and 3 per cent in the chemical industry. Owing to seasonal factors the percentage was highest in the building trade (35 per cent) and in the hotel trade (22 per cent). But the permanent changes that had taken place since the war and the inflation were reflected in the high percentage of unemployment in the declining war industries ("metals and machinery"), where it reached 30 per cent, in some of the industries which formerly produced for a home market but which were now up against high tariff walls (e.g. clothing 19 per cent, pottery, glass, etc., 15 per cent, leather and hides 12 per cent), in "commerce, transport and traffic" (17 per cent) and among the clerks and professions (10 per cent). This high level of unemployment among the "black-coated" workers and the middle class was due to the inevitable contraction of the State apparatus and of those banking and commercial activities which had flourished so much during the inflation period.[1] The failure to tackle these structural problems courageously contributed greatly to the slow recovery of the home market and to the persistence of unemployment even in the more prosperous years.

One of the most important economic effects of the break-up of the old Empire was the increased dependence on foreign trade. The Empire had to a large extent been self-sufficient and Austria had obtained its foodstuffs and raw-materials from other parts of the Monarchy. These goods had now to be imported from separate economic units and great efforts were required to increase exports, especially of manufactured goods. The structure of foreign trade in that period is shown by the figures on page 40.

With the return of stable conditions and the increase in productivity, both imports and exports increased rapidly. Imports rose from about 1,800 million gold Crowns in

1 [Cf. category 116, p. 50 -- Analyst]

439 tariffs had increased to 296 per cent of the 1913 level in Bulgaria, to 144 per cent in Yugoslavia, to 140 per cent in Roumania, and to 137 per cent in Czechoslovakia, the Austrian tariffs had actually fallen to 77 per cent of their pre-war level, a fall which, in continental Europe, was surpassed only in Sweden. But it was obvious that this policy could not be permanently maintained in face of high tariffs elsewhere. After the Geneva Conference in 1927 had failed to achieve tangible results with regard to the reduction of trade barriers, Austria too turned towards protectionism to reduce her dependence on a highly unstable world trade. The world preferred to learn the hard way.

361 What of the position of Vienna? When the new Austria, with its 6½ million people, had to take over the economic
631 and administrative centre of a 50-million empire, containing almost 30 per cent of the population of the new Republic, many people thought that this "huge head far too big for a small body" would prove an insoluble economic problem. Actually it soon turned out that the general process of readjustment, described above, also helped to solve this problem. First, it should be noted that while the percentage of the population living in the *capital* was unusually high, the percentage of the *urban* population was quite normal for an industrial country. It was smaller than, for instance, in Great Britain or Switzerland. The establishment of new commercial and government centres did, it is true, hit Vienna badly. The
• [464] reduction in the number of civil servants, banking and commercial employees and the unemployment among lawyers, solicitors, etc., created a burden which was mainly concentrated on the capital.

366 But apart from this particular problem which was
368 slowly—all too slowly—mended, it soon became clear that

1 [CA. CATEGORY 116, p. 50 — ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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	Potatoes			Sugar		
	Area in ha. (000's)	Yield in thous. q.	Yield per ha.	Area in ha. (000's)	Yield in thous. q.	Yield per ha.
1925	176	20,684	117·4	20	4,925	244·1
1929	189	28,030	147·6	30	6,912	227·6

As a result, Austria's dependence on food imports was somewhat reduced. This applied particularly to rye, sugar, and potatoes; in the case of potatoes the import surplus actually gave place to an export surplus. More important, there was a change in the structure of Austria's agriculture. Great strides were made in the spheres of stock-raising and the dairy industry which are particularly suited to Austria's topographic conditions. Between 1925 and 1930 the proportion of home-raised live cattle supplied to the Vienna market rose from 19 to 44 per cent. For beef the proportions were 17 and 33 per cent respectively, and for pork 47 per cent and 52 per cent. The establishment of 310 new co-operative dairy-farming and cheese-making companies greatly stimulated expansion in the dairy industry. In spite of increasing consumption, imports of milk and other dairy products fell from 40·1 to 9·1 million schillings between 1924 and 1929, while the exports of these products increased from 1·1 to 10·5 schillings over the same period. Within six years an adverse balance of almost 40 million schillings in this group was thus wiped out and an export surplus established.

• 464 In spite of all this progress the problems of unemployment and of an adverse balance of trade remained as yet unsolved.

It had already been suggested that the increase in indus-

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

trial output was largely due to measures of rationalization rather than to an increase in the numbers employed. On the other hand, the pressure on the labour market continued. Apart from the structural unemployment inherited from war and inflation—the decline of the war industries, the reduction in administrative and banking personnel, the difficulties of the export industry—the process of readjustment still went on, slowly and haphazardly. Bank mergers, numerous liquidations, etc., all created new friction in the labour market. Walter Lippmann once said that it was the foreign policy of the United States not to have a foreign policy. Similarly it might be said of the Austrian Government of that period that its economic policy was to have no economic policy.

Not only was there no clear idea about the measures required to bring about the necessary and only half-completed changes as smoothly and as quickly as possible; the Government was also overcautious in its own spending policy. There was some expenditure on railway electrification, on agricultural improvement and on other investment and public work items. But this was altogether inadequate. The memories of the recent inflation, the need to maintain the country's foreign credit, the enormous burden of pensions for the great pre-war administrative machine, all made a balanced budget seem the ultimate goal of state finance. Thus unemployment in Austria was considerable even before the world depression. It remained high in 1925 and 1926, decreased slightly in 1927 and 1928, only to rise again in 1929. During the whole period there were at least 10 to 15 per cent unemployed.

Foreign trade was another source of weakness. With the growth of production in Austria and elsewhere, imports and particularly exports did, it is true, increase steadily.

AUSTRIA'S ECONOMIC DEVELOPMENT

458 [439] purchasing power, followed by an orgy of tariffs, quotas, and currency wars, was therefore bound to hit Austria severely. Moreover, Austria was particularly vulnerable owing to the fact that the financial problems inherited from war, inflation, and foreign borrowing suddenly became acute and led to a severe crisis.

The turning point, as in most other countries, came in the third quarter of 1929. Prices tumbled down, production declined, unemployment grew, foreign trade vanished. The following figures indicate this process of decline in Austria and some other countries.

INDEX OF INDUSTRIAL PRODUCTION

(1929 = 100)

[433]

	1929	1930	1931	1932	1933	1934
Austria	100	85	70	61	63	70
Czechoslovakia	100	89	81	64	60	67
Hungary	100	95	87	82	88	99
United Kingdom	100	92	84	84	88	99
U.S.A.	100	81	68	54	64	66
Germany	100	86	68	53	61	80

PERCENTAGE OF WORKERS UNEMPLOYED [1]

• [464]

	1929	1930	1931	1932	1933	1934
Austria	12·3	15·0	20·3	26·1	29·0	26·3
Czechoslovakia	2·2	4·5	8·3	13·5	16·9	17·4
Great Britain	10·4	16·1	21·3	22·1	19·9	16·7
U.S.A.	8·2	14·5	19·1	23·8	24·3	20·9
Germany	9·3	15·3	23·3	30·1	26·3	14·9

1 [CA. CATEGORY III, 52 p. 63 -- ANALYST]

capital; the country's foreign credit was too closely bound up with the solvency of this bank. The Government therefore stepped in within four days and, together with the Austrian National Bank and the House of Rothschild, assumed responsibility for its financial reconstruction. A number of measures followed in quick succession. The government guaranteed first the foreign, and later also the domestic deposits of the Credit-Anstalt. A committee was set up in London to represent the interests of foreign creditors. An agreement was signed providing that 500 million schillings of foreign short-term credits were not to be withdrawn for two years. Strict economies were introduced. Salaries and pensions were heavily cut by decree; many of the bank's employees were sacked. The problem of an overgrown banking system was at last being solved; but in a way which created much misery and dislocation. No doubt, the Credit-Anstalt had somehow to be saved. But the Government was too concerned about the profitability of the concern and the interests of the shareholders. Its measures contributed to the already serious structural unemployment among the middle classes and served to prolong the depression. Moreover, the Government missed an unique opportunity of using its newly gained influence over the main credit institution to re-organize and direct the country's industrial structure in the national interest.

But the collapse of the Credit-Anstalt did not only call for far-reaching measures for the restoration of that institution. It also had grave repercussions on Austria's monetary system. The National Bank had been forced to re-discount a large number of Credit-Anstalt bills, and the note circulation began to swell. At the same time, in spite of the Government's speedy assistance and guarantee, confidence had been shaken and funds were withdrawn

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER V

RECOVERY

TOWARDS A BALANCED NATIONAL ECONOMY

IF the world depression had dragged Austria down with it, the subsequent world recovery reacted beneficially on her economic life. The deflationary policy pursued by the Government after the financial shocks of 1931 tended, indeed, to retard the upswing in Austria. Nevertheless, from the second half of 1933 onwards, there was a clear and unmistakable upward trend in all spheres of economic life.

Industrial production, which had fallen to 61 per cent of its level in 1932, increased rapidly until it reached a new record level in 1937, the last year of Austria's independence.

INDICES OF INDUSTRIAL PRODUCTION

(1929 = 100)

	Austria	Czecho-slovakia	Germany	Great Britain	U.S.A.
1932	61	64	53	84	54
1933	63	60	61	88	64
1934	70	67	80	99	66
1935	80	70	94	106	76
1936	86	80	106	116	88
1937	103	96	117	124	92

This increase in production naturally led to some reduction in unemployment. Unemployment figures,

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

464 which had passed the 400,000 mark in 1933, fell gradually to approximately 320,000 in 1937. This was, however, still considerably above the level of 200,000 unemployed in 1929. In fact, the problem of unemployment, particularly in the heavy industries and among commercial and administrative workers, remained virtually unsolved. The policy of the Government lay the foundation for a more solid and independent national economy. But it fell far short of an expansionist policy that would have ensured the full use of the country's human and material resources.

341 433 Of great importance was the conspicuous progress in agriculture which had been continuous ever since 1920. In a world striving for self-sufficiency, where markets for manufactured exports became increasingly closed, it was necessary to reduce the import requirements for foodstuffs. This object was largely achieved. Taking 1923 as the first normal year in Austria's economic life, we obtain the following picture of development.

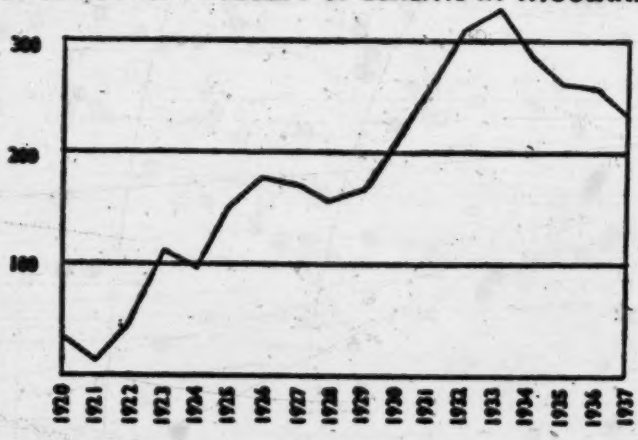
	Year	Production (in 1,000 quintals)	Per cent of Requirements
Wheat	1923	2,419	33
	1936	3,678	63
Rye	1923	4,023	76
	1936	4,605	81
Barley	1923	1,710	63
	1936	2,531	85
Oats	1923	3,754	82
	1936	4,029	94
Potatoes	1923	14,262	95
	1936	24,994	100
Sugar	1923	473	31
	1934–6	1,919	99

234 439 Even more important were the structural changes in agriculture. In particular, great progress was made in dairy farming; an industry which had been badly neglected

UNEMPLOYMENT

UNEMPLOYED IN RECEIPT OF BENEFITS IN THOUSANDS

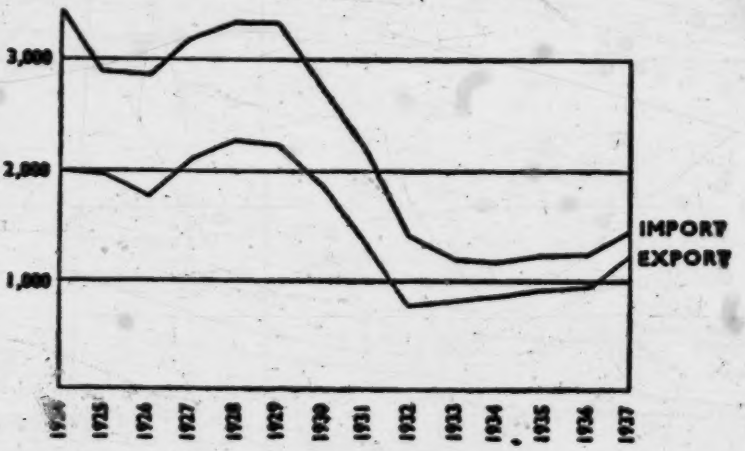
464



IMPORTS AND EXPORTS OF COMMODITIES

IN MILLION SCHILLINGS

439



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